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5 SEM TDC RKMT 3 (Sp)

2014

(November)

COMMERCE

(Speciality)

Course : 503

(Risk Management)

Full Marks : 80

Pass Marks : 32

Time : 3 hours

*The figures in the margin indicate full marks
for the questions*

1. Answer the following as directed : 1×8=8

(a) One of the broad objectives of risk management is satisfaction of externally imposed obligations.

(Write True or False)

(b) A forward is a contract to make a deferred purchase or a sale.

(Write True or False)

(c) Define risk in one sentence.

- (d) Utility of a portfolio is the aggregate of expected return and the risk level of the portfolio.

(Write True or False)

- (e) Which of the following is not normally taken into consideration to judge liquidity risk of bank?

(i) Current ratio

(ii) Acid-test ratio

(iii) Debt-equity ratio

(iv) Networking capital

(Choose the correct answer)

- (f) — banks should not be permitted to invest their funds anywhere except in government securities.

(Fill in the blank)

- (g) Reinsurance is a type of risk management involving transfer of risk from insurer to reinsurer.

(Write True or False)

- (h) Reinsurance is a process which reduces the risk of the original —.

(Fill in the blank)

2. Write short notes on any *four* of the following : 4×4=16

- (a) Economic risk
- (b) Capital adequacy norms
- (c) Overall risk determination
- (d) ALM organization
- (e) Risk reduction

3. (a) Distinguish between systematic risk and unsystematic risk with examples. 11

Or

- (b) What do you mean by pure risk?
Discuss the main features of pure risk. 3+8=11

4. (a) What do you mean by liquidity risk?
Discuss how a bank can manage its liquidity risk. 3+8=11

Or

- (b) Briefly explain the principles followed by banks in managing their portfolios of investment. 11

5. (a) Discuss the risk management process followed by a bank. 11

Or

- (b) What do you mean by currency risk?
Explain how a bank can manage its
currency risk. 3+8=11

6. (a) What do you mean by value
maximization approach? How can a
bank apply this approach for managing
their assets? 5+6=11

Or

- (b) Write brief notes on the following :
5½+5½=11

(i) Capitalization of bank

(ii) Risk avoidance

7. (a) Define risk retention. What are the
potential savings to a firm deciding to
retain risk? 5+7=12

Or

- (b) Discuss about the risks associated with
life insurance business. 12

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